LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7006 | **NOTE PREPARED:** Jan 19, 2014
BILL NUMBER: HB 1315 | **BILL AMENDED:**

SUBJECT: Tax sales and abandoned houses.

FIRST AUTHOR: Rep. Moed | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Tax Sale Blight Registry: The bill requires the attorney general to establish and maintain a tax sale blight registry of all persons ineligible to participate in the tax sale. The bill prohibits foreign business associations who have not registered with the secretary of state from participating in the tax sale.

Vacant or Abandoned Property: The bill provides that properties certified as vacant or abandoned may be sold outright at the tax sale.

Paddle Fee: This bill permits a county to establish a paddle fee for persons who attend the tax sale.

Mortgage Foreclosure: The bill permits a county executive to intervene in a mortgage foreclosure action and request a court to extinguish a creditor's lien on a vacant or abandoned property if the creditor unduly delays prosecuting the foreclosure action and certain other conditions are met.

Effective Date: July 1, 2014.

Explanation of State Expenditures: *Tax Sale Blight Registry*: Beginning July 1, 2015, under this bill, the Homeowner Protection Unit of the Attorney General's office would have to establish and maintain the Tax Sale Blight Registry. The office would incur one-time costs to establish the registry and then would have ongoing costs to maintain it. This provision's requirements represent an additional workload on the agency outside of the agency's routine administrative functions, and existing staffing and resource levels, if currently being used to capacity, may be insufficient for full implementation. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this provision will depend on legislative and administrative actions.

The Attorney General's Office is mostly funded from the state General Fund.

The registry would include entities who are prohibited from purchasing certain properties at tax sale. Prohibited entities would include (1) a foreign business association (out of state or out of country) that is not registered with the Secretary of State, (2) a foreign business association that is registered with the Secretary of State, but is not in good standing, and (3) agents of those entities.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: *Summary:*

a. Vacant or Abandoned Property: The current redemption period (120 days) for sales of vacant or abandoned properties would be eliminated under this bill, so the sale would immediately be final and the county auditor would issue a deed to the buyer. This provision could encourage more bidders to bid at tax sale and reduce the number of speculators that bid. Some bidders buy tax sale properties hoping that the property will be redeemed and a premium paid to the bidder. Sometimes, when a property is not redeemed, the buyer abandons it and never applies for a deed. This provision would eliminate the lack of title when vacant or abandoned properties are sold at tax sale. If the vacant or abandoned property is bought and later developed and added to the property tax rolls, then there would be a potential increase in future local revenues.

b. Redemption Amount: The amount required for redeeming properties that are not vacant or abandoned has been decreased. Under current law, the amount required is 110% of the minimum bid if the item of real property is redeemed not more than six months after the date of the sale or 115% of the minimum bid if the property is redeemed between six and 12 months after the date of the sale.

Under this bill, for tax sales conducted after June 30, 2014, the redemption amount has been reduced to 105% of the minimum bid if the item of real property is redeemed within six months of the sale, and 107.5% of the minimum bid if the property is redeemed between six and 12 months after the date of the sale. The reduction may result in relatively more properties being redeemed and added to the property tax rolls, thereby potentially increasing future local revenues. The increase in revenues would depend on the number of additional items of property that are redeemed and the amount of revenue they generate.

c. Paddle Fee: The bill would also permit counties to establish a paddle fee to be paid by all bidders in a tax sale. The maximum fee would be (A) $25 for a bidder who attends no more than one tax sale and purchases no more than one property; or(B) $100 for an unlimited number of tax sales in the county in a year and an unlimited number of purchases.

The revenue from the paddle fee could only be used to reduce the number of vacant or abandoned houses, including rehabilitation, demolition, and foreclosure prevention and counseling. The amount of additional county revenue under this provision depends on the number of counties that adopt a fee and the fee amounts that are adopted.

d. Mortgage Foreclosure: Under this provision, the number of vacant or abandoned properties available to be sold at a sheriff's sale would probably increase. If more of these properties are sold, there would be an increase in the amount of attorney's fees to the county. Additionally, future revenues may increase if these properties are developed. The increase in revenues would depend on the number of additional items of property that are sold and the amount of revenue they generate.

Additional Information - Mortgage Foreclosure:

Current law forbids the court from issuing a judgement of foreclosure unless: (A) the creditor has notified the debtor; (B) the debtor has failed to schedule the settlement conference within the 30 day time period, or has scheduled a settlement conference but the debtor and the creditor were unable to reach an agreement, or the debtor did not provide some of the required documents to the creditor and the court.

Under this bill, after June 30, 2014, the county executive can request the court to extinguish the lien of the creditor if it has been a year since the settlement conference was held or should have been held, the county executive has certified that the property is vacant or abandoned, and the creditor has unduly delayed prosecuting the foreclosure action. The court must extinguish the creditor's lien on the property, and place a lien on the property in the amount of the county executive's reasonable attorney's fees.

State Agencies Affected: Office of the Attorney General.

Local Agencies Affected: Counties; County auditors; County executives.

Information Sources:

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